



## Capital Strategy 2020/21

### 1. Capital Strategy intention

I am pleased to endorse this Capital Strategy, which sets out the commitment of Melton Borough Council to manage its assets effectively to ensure they are maximised for the benefits of the Council and community as a whole. I hope you will find that the document clearly demonstrates our drive to ensure this.

We are ambitious for Melton's future. We want to enhance the quality of life for everyone by enabling more homes to be built, attracting quality jobs and supporting strong and prosperous communities for which the Capital Strategy will support this.

**Leader of the Council – Councillor Joe Orson**

### 2. Steer on the long term approach

As part of the Council's Mission of *Helping People, Shaping Places* and supporting our Vision, the refreshed Corporate Delivery Plan 2020-2024 sets out a number of key projects we will be focussing upon. This Capital Strategy will support the effective delivery of these ambitions. Through this plan we intend to ensure appropriate levels of capital expenditure and investment to meet these priorities and objectives whilst ensuring that our plans are affordable, prudent and sustainable.

**Chief Executive – Edd de Coverly**

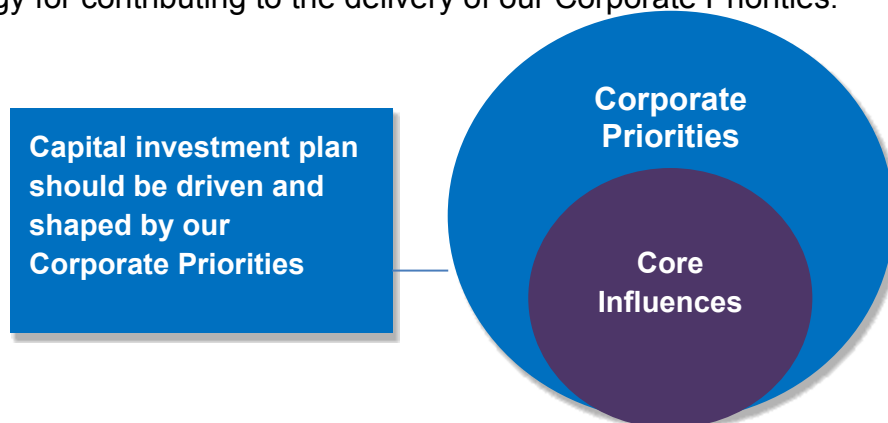
### 3. Summary of Capital Strategy

The Capital Strategy is presented to Council as a key Policy document, and links with both the Treasury Management Strategy and the Asset Management Plans.



## 4. Core influences on capital investment

4.1 The Capital Strategy is influenced by many different factors. We have named them core influences, as these must be taken into account before establishing the appropriate strategy for contributing to the delivery of our Corporate Priorities:



*We want to be first-class council; on the side of our communities and providing great services, where the customer comes first. We want to help people reach their potential, support the most vulnerable, and protect our rural environment. We want to provide more and better homes, create better jobs and regenerate the town. We want to ensure Melton prospers, benefiting those who live here and attracting others to visit and invest.*

### Our Corporate Priorities

#### Place:

- Delivering sustainable and inclusive growth in Melton
- Protect and enhance our rural, natural environment

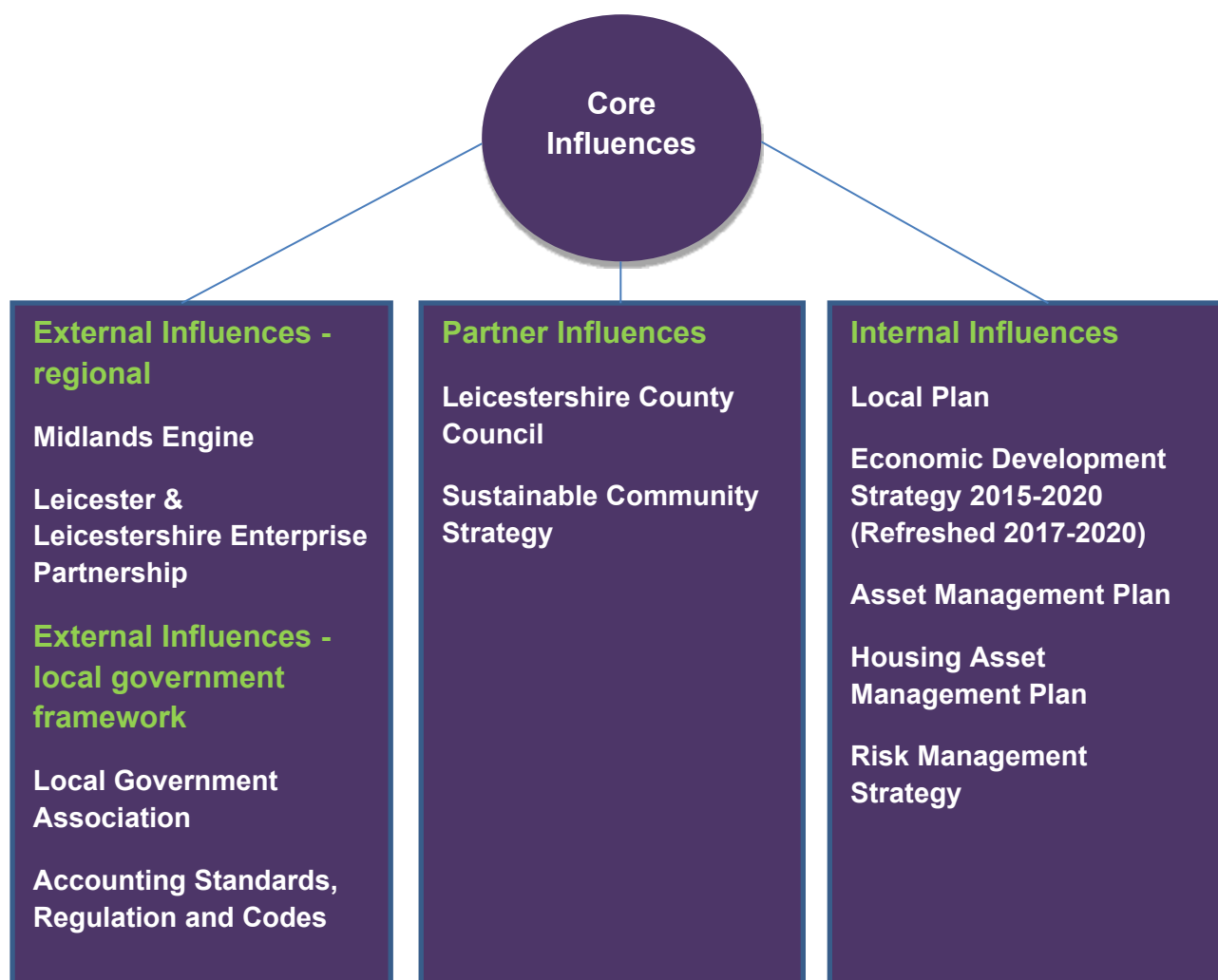
#### People:

- Service Excellence in all we do
- Providing high quality council homes and landlord services

#### Great Council:

- Ensuring the right conditions to support delivery
- Connected with and led by our community

4.2 The following chart illustrates our core influences:



4.3 Our Capital Strategy has taken account of the external, partner and internal influences in shaping our approach. The following sections provide a summary of main points for consideration in each case:

#### 4.3.1 External influences – regional

##### Midlands Engine

The headlines from the '**Midlands Engine Vision for Growth**' document published in September 2017, set out below, cover the five principles which guide the work of the Midlands Engine:

*'Investing in the Midlands Engine is essential to the UK's long-term success. To achieve our 2030 ambition, we need to accelerate productivity growth across the Midlands. **Much of this will be driven locally and sub-regionally by businesses, LEPs, universities, Councils and Combined Authorities with newly devolved powers.** This will include*

*delivering a transformation in skills and education that will help boost productivity and spread prosperity.'*

*'The Midlands Engine ways of working are guided by five principles.*

- *The Midlands Engine is about additionality, **complementing the work of Local and Combined Authorities, LEPs**, universities, businesses and others to generate added-value at the globally sensible spatial scale of the Midlands*
- *Our core focus is on leveraging the capacity of the Midlands to help Britain succeed. Our policy approach remains apolitical, focusing on increasing productive economic growth and improving quality of life*
- *The Midlands Engine will define a long-term strategic plan that will secure a number of high impact initiatives and investments for the UK*
- *The Midlands Engine will work on projects that benefit the whole region and develop a self-sustaining and resilient partnership model*
- *The Midlands Engine Partnership will work collaboratively and speak with one voice, implementing a distributed leadership model to drive delivery*

***Our partners recognise the benefits that can be achieved through decentralisation and devolution.*** *Delivery should always be at the appropriate level and Local Authorities, Combined Authorities and LEPs will often be the delivery vehicles of the inclusive growth we seek.*

### **Leicester & Leicestershire Enterprise Partnership (LLEP) and Local Authority Partners**

The collaborative strategies and plans are an important influence on our Capital Strategy. The most recent plan to emerge is the Strategic Growth Plan, which has been adopted by all of the partner Authorities. The Strategic Growth Plan has been prepared by the ten partner organisations - the City Council, the County Council, the seven boroughs and districts, and the Leicester & Leicestershire Enterprise Partnership – to provide a plan which will shape the future of Leicester and Leicestershire in the period to 2050. It is a non-statutory plan but it provides an agreed framework which we will use when preparing our individual Local Plans and other strategies.

The Strategic Growth Plan focuses on four key matters:

- delivering new housing
- supporting the economy
- identifying essential infrastructure, and
- protecting our environment and built heritage.

Within this Melton Mowbray is identified as a Key Centre for Growth and Regeneration. The town centre has a great deal of potential opportunity for investment in the *public realm and support its potential* as centre for tourism and leisure. The recent approval for the Melton Mowbray Relief Road provides the catalyst for change: it will remove congestion in the town centre and open up land for development to the north and east of the town. Similar investment to the south of the town could increase this further. New growth will support town centre shops and services and provide the opportunity for people to live close to where they work. The new A46 expressway and improved connections to it, will

also improve connectivity to Leicester, the M1 and the Leicestershire International Gateway.

Much has happened since the Strategic Economic Plan 2014 to 2020 was submitted in March 2014 and newer plans, strategies and studies will be reacting to the current challenges due to the significant influences to the economy that have occurred since, such as Brexit, the minority government election outcome and volatile geopolitical events. In Summer 2018 the LLEP was invited to submit a Local Industrial Strategy (LIS) by government, following the development of a local prospectus for growth. The prospectus identifies five key sectors for growth, including advanced manufacturing and specifically identified the establishment of a Food Enterprise Centre and Food Park in Melton Mowbray as one of its key deliverables.

Melton has previously been successful in securing Local Growth Fund investment with the successful bid to secure £3m for the Cattle Market. The Council will continue to work closely with the LLEP and will be developing a business case for public and private sector investment into the Food Enterprise Centre and Provision of Melton Borough Leisure Park. At present a £100k has been secured for each project to undertake further development of these projects to enable the council to bid for further capital funding.

#### **4.3.2 External influences – local government framework**

##### **Local Government Association (LGA) Peer Review**

The LGA Peer Review which was undertaken a few years ago provided feedback that helped inform the approach to our Capital Strategy. The relevant points to focus on from a Capital Strategy perspective are as follows:

- the need for a longer term approach to strategic financial planning;
- the relatively modest Capital Programme could suggest that we are not incorporating everything that we should in the Capital Programme and / or we are being too risk averse;
- the lack of clarity on our risk appetite in terms of our capital investment ambition.

##### **Accounting Standards, Regulation and Codes**

From 2017, there has been significant Central Government scrutiny of local authority commercial property investments, which has resulted in a number of important changes being implemented by both the Ministry of Housing, Communities and Local Government (MHCLG) regulations and Chartered Institute of Public Finance and Accountancy (CIPFA) Codes. These changes are particularly focused on local authority Capital Strategies. We have therefore ensured that our Capital Strategy complies with the new requirements.

#### **4.3.3 Partner influences**

##### **Leicestershire County Council**

The relationship with Leicestershire County Council (LCC) is very important when considering our longer term Capital Strategy. As the planning authority and the billing authority, we are in an influential position when it comes to setting the scene for the future development and growth in the area and considering the impact on funding streams at both the County and District level. Any County capital schemes that are focused in our area and, in some cases we will be contributing to, should be considered for inclusion in our Capital Strategy.

The LCC Local Transport Plan is included in our Corporate Policy Framework. The LCC road scheme (Melton Mowbray Distributor Road) has been successful in gaining government funding and we are currently finalising an agreement for us to contribute towards the financing of this scheme.

### **Melton People Board**

The MBC led Melton People Board creates a supportive partnership infrastructure for change through the development and implementation of a locality-based strategic approach. The group are currently developing an overarching blueprint that captures what success indicators would look like across an individual's life cycle through the delivery of integrated services.

### **Melton Place Board**

A Place Board has been established of relevant local stakeholders who are keen to be involved in shaping the future of Melton. Melton Borough Council working with the stakeholders from the Town and Place Partnership commissioned a place branding strategy and a destination management plan and a visual language and identity toolkit

**The Town and Place Partnership has morphed into the Melton Place Board, served by three sub group focussing on:**

- **Regeneration and infrastructure**
- **Skill, Business Support and Inward Investment**
- **Animation, Experience and Tourism**

This has helped develop some of the key focus areas in the new corporate plan:

- Working with our partners to promote Melton, increase tourism and deliver the promise of Rural Capital of Food
- Regenerate our town centre, encourage inward investment and create jobs by delivering the Food Enterprise Centre and Manufacturing Zones  
Deliver Inclusive growth by improving access to higher paid jobs, improving skills and tackling the low wage economy

### 4.3.4 Internal Influences

#### Local Plan

The new Local Plan has now been formally adopted and therefore the emerging strategic objectives from the new Plan will start to be considered and their potential influence on our Capital Strategy.

The strategic objectives from the new Local Plan are as follows:

#### ***Housing Objectives***

1. *Help provide a stock of housing accommodation that meets the needs of the community, including the need for affordable housing*
2. *Develop a housing stock to provide for the future aspirations for the local economy*

#### ***Jobs and Prosperity Objectives***

3. *Enhance the vitality and viability of Melton Mowbray town centre*
4. *Provide sufficient land to meet current and future employment needs*
5. *Help regenerate the rural economy*
6. *Promote the tourism potential of the Borough through its food, equestrianism and heritage assets creating a Melton Borough “brand”*
7. *Create a mixed economy with increased knowledge-based jobs and wages*
8. *Provide better training opportunities and increase educational attainment*

#### ***Accessibility and Transport Objectives***

9. *Reduce the need to travel by car and improve access to public transport*
10. *Reduce traffic congestion in Melton Mowbray*

#### ***Safety and Protection Objectives***

11. *To improve community safety, reduce crime and the fear of crime*

#### ***Community Development Objectives***

12. *Improve access to services and facilities, including health, schools, social care, jobs, recreation, sport and education, broadband*
13. *Promote sustainable communities*
14. *Improve facilities for all the community*
15. *Improve the health of the Borough and reduce health inequalities within the community*

#### ***Environment Objectives***

16. *Promote high quality and innovative design which is visually attractive, reflects local context and distinctiveness, and, contributes to a safe and accessible environment, to make places better for people*
17. *Conserve the historic environment and Melton Borough’s heritage assets*
18. *Protect the rural character of the Borough*
19. *Reduce the risk of flooding and avoid development in areas prone to flooding*



- 20. *Protect and enhance the natural environment and biodiversity*
- 21. *Reduce pollution*
- 22. *Protect and manage the use of natural resources and mitigate activities that cause their loss or degradation*
- 23. *Prepare for, limit, and adapt to climate change and promote low carbon development*
- 24. *Minimise the use of energy and promote forms of renewable energy in the correct locations*
- 25. *Ensure that the reuse and recycling of waste is maximised'*

We have highlighted areas of the Local Plan, which may influence the MBC capital investment ambition directly. The period of our Capital Strategy aligns with the period of the Local Plan, which is 20 years to 2036.

### **Growth and Prosperity Plan 2018 - 2022**

The Melton Borough Council Growth and Prosperity Plan highlights what the Council will be delivering for the business community from 2018 - 2022. Many of the initiatives that are put in place to deliver the Growth Plan will not result in capital investment directly however, the strategic priorities as identified within the strategy, are likely to lead to projects that require capital funding once they get to the delivery phase.

The strategic priorities are:

- *Promoting Innovation, Enterprise & Growth in Key Sectors:*
- *Enhancing Aspirations, Skills and Economic Activity in the Borough:*
- *Improving the Vitality of the Town and surrounding Villages:*
- *Maximising Inward Investment Opportunities:*

Melton Borough Council will play many roles within the delivery of capital projects in the borough whether it be a facilitator, supporter, partner or lead delivery body.

Any capital projects where the Council is taking the lead will go through the relevant governance stages in order to secure funding that will be used to enable the planning stages of projects to begin. The planning/development stage of the projects will look to identify how to best deliver the project, what the project will look like (design/masterplanning) and what the likely revenue costs and capital requirements are as well as what any potential returns from the project would be. These projects will then go through the relevant processes within the council to have the capital funding allocated to them before any further project costs are incurred.

Any commercial aspirations laid out in the Growth Plan will seek to strike a balance between enabling or directly contributing to local and sustainable growth within the Melton economy and generating revenue for the local authority

### **Commercial Strategy**

The Council has devised a Commercial Strategy which will outline the Councils commercial activities along with the work Melton has undertaken with the LGA as it seeks

to develop its commercial awareness. Any Commercial activities will form a key element in supporting the Council's corporate priorities in order to generate a revenue return that will help contribute towards addressing the Council's financial pressures in light of the continued loss and risks relating to funding from Central Government. The strategy will outline the Council's approach to investment covering items such as risk appetite, risk profile, target rates of return etc. to help inform the decision making process.

The areas Melton have been exploring include investing in commercial property and setting up a development and housing company both of which may require upfront investment to generate income or in other areas generate a saving. Each area would be looked at on a case by case basis but could require the council to fund through borrowing in order to achieve longer term income generation and/or savings.

### **Asset Management Plan**

Historically the Capital Strategy has incorporated within it the Council's Asset Management Plan (AMP) in relation to its land holdings and corporate buildings, and the Housing Asset Management Plan (HAMP) in relation to its Housing Stock of 1811 homes. Whilst this Strategy gives the guiding principles for the treatment of capital investment it has been deemed appropriate to separate out these documents and cover the approach that will be taken to produce them within the plan period.

This has been driven by a desired objective to move from a historically reactive based approach to asset management to a fully portfolio based approach established on sound asset information and with clear accountable and transparent decision making for new acquisitions and disposals over a longer plan period.

The current Asset Portfolio comprises of the following categories of property, each with its own considerations, challenges and opportunities:

Operational Offices, Commercial Units, Leisure centres, Housing stock including low rise communal blocks up to 4 storeys.

The main objectives which will drive the new Asset Management Plan are:

1. To take a portfolio approach to Asset Management which promotes effective use of assets and categorises them as operational, investment, development or surplus with appropriate action plans.
2. To actively manage our properties, providing a Facilities Management and Housing Maintenance service to ensure our Offices, Commercial Buildings and our Housing Stock are comfortable, accessible, clean, safe and secure and operating cost effectively using accurate base data to help inform future decisions.
3. To have a well-planned, co-ordinated and informed approach to maintenance, improvement and repair of our assets, in compliance with the property safety regulations.
4. To assess and consider the development potential of assets and the rationalisation of its usage for long term investment options

5. To review the current status of leases, service charges and rents, comparables with market conditions and future income potentials.

In order to build the objective information base to inform future decisions on future retention, investment or disposal it is critical that full condition information is prepared and collated in an electronic format that allows for data analysis to be undertaken. This will allow the Council to assess its portfolio on a longer term basis than previously undertaken, to consider and make prudent decisions on the use of capital from the General Fund and within the Housing Revenue Account (HRA). This will be supplemented by further information gleaned from market data on rent levels, the current leases we hold and their terms, any covenants and conditions on land we hold and the future development potential of the sites in our ownership. This will allow consideration both from the Council looking to invest in and develop its assets in its own right, but also for Partners looking for opportunities that the Council might be able to facilitate on a strategic basis utilising its land and asset base.

To ensure that the decision making processes are clear and transparent in relation to land and property disposals and acquisitions it is proposed to refresh and update the policies around disposals and acquisitions. These will be in line with the principles of the new plan and set out the basis that decisions will be made and particularly how best consideration will be achieved

### **Housing Asset Management Plan 2019-2024**

The Council's Housing Asset Management Plan is currently being reviewed and will be informed by a detailed and full stock condition survey to be undertaken over the next two years. Therefore in the meantime, an interim business plan and capital programme is proposed to address the issues and challenges faced by the Council today. The key influencing factors to this proposed capital programme are:

- Housing Improvement Plan (November 2019)
- Internal audit report on landlord health and safety (November 2019)
- Corporate Restructure report (November 2019)

The focus for the next three years is for the Council to implement the actions proposed in the three key documents mentioned above. When the backlog of works and investment is addressed and the results of the stock condition survey are available, it is proposed to prepare a comprehensive business plan in year 3 (2022-23) to drive the Council's vision and aspiration to the next stage.

It is proposed to continue work on compliance projects as approved in the Housing Improvement Plan to establish the baseline with a view to complete it by March 2020. Implementation of the proposed capital projects will commence following the recruitment of the new director, service manager and the planned maintenance and compliance officers

### **Risk Management Framework**

It is important for us to apply the corporate Risk Management Framework principles to the risk approach adopted in our Capital Strategy. Our Capital Strategy includes a high level

risk assessment, which will be linked to our corporate risk assessment. The Capital Strategy risk assessment matches the corporate scoring approach and takes into consideration the new CIPFA Prudential Code 2017 requirements for the assessment of risk on investments.

#### 4.3.5 Core influences – action plan

The main areas progressed over the last 12 months have been:

- **MMDR** – the principles of a financial arrangement with LCC has been agreed and the legalities are currently being finalised. The implications have been feed into the MTFS
- **Business Rates Pool:** The Council has been successful in securing revenue funding from the business rates pool to support the development of feasibility and business cases in relation to the Food Enterprise Centre and Health and Leisure Park. This funding is being matched through council revenue funding and forms part of the prepared budget. The Council has also been successful (in principle) to receive £2m of capital funding for the health and leisure park though this will be the subject of further due diligence discussions and development of the business case.
- **Housing Improvement Plan:** In November 2019 the Council published a comprehensive plan to improve the quality of council homes and landlord services; as well as to deal with some more immediate compliance issues. The plan supports and underpins commitments made within the Corporate Strategy 2020-2024 and the Interim HRA Business Plan. Following some concerns regarding Landlord health and safety there has been considerable efforts and investment in this area.
- **RTB:** The council has invested £1.2m in purchasing 6 houses by then end of March 2020 from Right to Buy monies in order to boost our housing stock to meet demand.

However there remain a number of key actions which need to be delivered in the coming 12 months which have slipped from last year and mean there are gaps in being able to develop a full comprehensive Capital Strategy.

Influence	Action	Responsibility	Timescale
Update the AMP	Current AMP is out of date and therefore needs updating	Director for Growth and Regeneration	April 2021
HAMP	Current HAMP runs out in 2022 but due to a number of changes within the HRA a refresh is required.	Director for Housing and Communities	June 2022
Housing Business Plan (Full review)	A full Business Plan refresh is due and needs to build on the interim review to ensure the long term financial viability of the HRA is understood and	Director for Housing and Communities	June 2022

Influence	Action	Responsibility	Timescale
	associated capital investment.		
Prioritisation leading to updated capital programme	Limited capital funds require prioritisation of projects to focus on key investment areas *.	SLT	September 2020
Investment Strategy	The strategy will outline the Council's approach to investment covering items such as risk appetite, risk profile, target rates of return etc. to help inform the decision making process	Director for Growth and Regeneration	September 2020
Asset Disposal Policy	To ensure that the decision making processes are clear and transparent in relation to land and property disposals and acquisitions it is proposed to refresh and update the policies around disposals and acquisitions	Director for Growth and Regeneration	March 2020
ICT Service Delivery	Determine the strategic direction with regard to the ICT partnership which will in turn determine the delivery vehicle for the operational ICT service and subsequent ICT investment needs	Director for Corporate Services	April 2020

\* Note, the Capital Programme is not only for maintaining core assets to ensure Melton can continue to do business but also to positively intervene in key investments areas which require borrowing but this would be focused by the outcomes of the commercial development appraisals where would expect any borrowing to generate a return. This will link into both the Investment Strategy and Asset Disposal Policy.

## 5. Capital investment ambition by Corporate Priority

**5.1** The following sections map out our capital investment ambition by Corporate Priority, including the expected outputs and outcomes from the delivery of this ambition. It is important to explain what we plan to achieve from our capital investment plans in terms of the clear priorities and delivery plan that we have put in place to meet the needs of our

area, to support our unique brand, to address our community consultation feedback and to ensure that we manage our resources on a value for money basis.

### **Place Priorities:**

The Council's Corporate Delivery Plan acknowledges the importance of investment and enhancement of Melton as a place and sets out clear priorities. The Capital Strategy identifies how these priorities will be achieved through the use of Council's assets, capital and finances. The Council plans to prepare an ambitious investment strategy with a series of short, medium and long term income potential identified. This will include clear priorities and delivery plan to meet the needs of our area, to support our unique brand, to address our community consultation feedback and to ensure that we manage our resources on a value for money basis.

The Council intends to utilise the capital assets to lever further private and public sector investment. This approach will not only help to manage and enhance the Council's land assets but also will maximise their use and value and therefore community benefits. Potential benefits include:

- Enhanced service delivery for MBC and partners
- Generating capital receipts
- Creating long term revenue income
- Leveraging private and public sector investment
- Contributing to town centre regeneration
- Supporting Council's priorities such as housing, business and leisure growth

To achieve this ambition meaningfully, the Council will undertake a comprehensive review of all large scale sites with development potential and located in developable locations. A range of options will be explored for preferred mix of uses that will be appraised to achieve higher value with financial and regeneration benefits to the Council as well as the Borough. In order to drive commercialism, it is proposed to consider all council owned assets in a comprehensive way and not each site in isolation of the others. The asset management and property development options are proposed to be based on the following principles:

- A portfolio based approach with long term investment strategy
- Self sustaining investment model with a considered cash flow
- Cross-subsidy of sites with phased development plans
- Control over quality, cost and timescales
- Disposal of some small sites to generate capital receipt for reinvestment in the development large sites with a view to generate long term revenue income stream
- Exploring opportunities for match funding from partners and grant funding from a range of sources to maximise the Council's investment
- Consider acquisitions of land in appropriate locations to increase the scale of opportunities

- Exploration of options for delivery mechanism including the formation of a collaborative development company by working with other neighbouring LAs to support the development of key sites and maximise the return of investment.

A series of initiatives are already underway that would inform the Council wide asset enhancement and investment strategy.

Ongoing key strategic projects such as the development of:

- a) Cattle market- masterplans and viability for the 2nd phase of development. £100k match funding from the LLEP has been secured to support a masterplan review including Food Enterprise Centre.
- b) Leisure sites - Develop detailed proposals for best utilisation of the Melton Sports Village site and the future of leisure provision in Melton. £100k match funding from the LLEP has been secured to support this project.
- c) Play provision - Work with partners to secure funding for and deliver a key destination children's play facility for Melton
- d) Commercial sites- review of commercial assets including Parkside, Phoenix House and Depot sites for leases, rents and development potential
- e) Housing sites- feasibility, capacity and viability assessment of housing sites
- f) Ensure Council operations are carbon neutral by 2030 and promote sustainability within the Borough
- g) Funding bids from sources such as- OPE, LLEP, EMC, DFT, HIF, LGA etc.

The Council will take the following actions in order to prepare a comprehensive investment strategy and programme for the council's land assets:

- Carry out market assessments and demand analysis of a range of uses including housing, commercial and leisure (accommodation)
- Commission masterplans, development appraisals and viability analysis to inform the commercial case
- Undertake soft market testing, seek partners views and gather market intelligence
- Explore delivery mechanism, partnership models, borrowing scenarios and other funding opportunities
- Identify acquisition opportunities subject to business case, funding availability and strategic benefits
- Prepare business cases for investment
- Propose an evidence based investment plan with short, medium and long term actions with an initial cash flow analysis

Following the broad range of work that is currently being undertaken during the next 12 months, the Council will continue to update and refine the capital where projects can be taken forward for development

The above mentioned activities will be influenced, informed and reinforced by other activities being undertaken by partners such as the design, planning and implementation of the MMDR. All these activities, along with the delivery of the Local Plan by working with private and public sector partners, developers and land owners will help in delivering growth in housing, business activities and leisure provision that would contribute to creating and shaping the place that Melton is aspiring to be.

Alongside maintaining our property assets, the Council also has responsibility for ensuring wider public realm assets are effectively managed and maintained; as well as maintaining and renewing the vehicles used to undertake various environmental services. The Council has made provision through an annual revenue contribution to a number of repair and renewal funds which enables the capital costs associated with these to be met from an existing fund, rather than through borrowing or the use of capital receipts. The level and contribution made to these funds is currently under review to ensure it is appropriate and following the adoption of the Local Plan a review of 106 contributions and the developing Community Infrastructure Levy policy will potentially create opportunities for alternative funding sources.

### **People Priorities:**

The People Priorities set out the objectives of the Housing and Communities Directorate for the next year and provide a roadmap for services to follow which focus primarily on assisting our residents and customers to live well and independently. The priorities being:

- Service Excellence in all we do
- Providing high quality council homes and landlord services

Through the achievement of these priorities, we hope to provide an accessible route into our services for our customers whilst ensuring resource is targeted at those in our communities who are most in need of assistance. Some of the key People Priority projects to be focused on over the coming year are:

- a) CRM - Invest in digital systems which will improve services to our customers and increase productivity through the implementation of a new CRM system and self-service platform. This will be a cloud based system and thus revenue funded but is a key software project with budget allocation of £120k.
- b) Housing Improvement Plan – deliver the HIP following an investment of resources taking into account the refreshed and updated HRA business plan and Housing Asset Management Plan to inform the significant investment in improving the quality of council homes.

### **Great Council Priorities:**

Our Great Council priorities as set out in the Corporate Plan focus on ensuring we have in place the right conditions to support service delivery and that we are connected to and led by the community. We aim to maintain a personal approach but also harnessing appropriate technology to make our services more accessible



and fit for the digital economy. This latter aim in terms of capital requirement does necessitate investment in ICT where we have a clear roadmap as expressed in our ICT digital strategy and action plan.

## **ICT Digital Strategy and Action Plan**

The ICT Digital Strategy Action Plan has been developed in line with the ICT Service Technology Roadmap, Partner Business Planning Activities and Strategic Board prioritisation. The Strategy identifies a programme of activity for each of the Partner organisations (Hinckley and Bosworth, Oadby and Wigston, Blaby, Melton or the Leicestershire Revenues and Benefits Partnership). Objectives are aligned to the those prioritised in the LICTP Digital Strategy 2018-2022. The years 2018-2021 are currently included in the plan to identify in detail the next 3 years activity. The strategic document will be updated annually to include following years' essential works however the focus for 2021-22 will be the ICT Service Contract following a review of the strategic direction of the partnership.

## **ICT General Principles**

The current estate is deployed into a single data centre hosted at Hinckley and Bosworth Borough Council (HBBC), with an additional data centre at Melton Borough Council (MBC) acting as a Business Continuity / Disaster Recovery location. The majority of the estate of all four councils is virtualised onto VMware hosts in the HBBC data centre with a small number of Solaris servers that support line of business applications.

Citrix end user compute is the primary desktop solution provisioned through thin client devices, laptops and remote desktop services. A common Mobile Device Management solution has been deployed across all partners providing wifi and management of mobile devices such as ipads and iphones.

As the LICTP has matured it has taken opportunities to consolidate solutions and / or co-terminate support and maintenance- for example there are common solutions in place for Antivirus, Web and Mail security, approved builds for End User Devices (EUD) and shared Business Continuity and Disaster Recovery (BCDR) arrangements.

The LICTP works with partners to identify common business solutions and align version control, to benefit from efficiencies in upgrade testing and economies in supplier management.

The focus of the Capital Strategy for ICT over the coming years is to consolidate and develop the ICT infrastructure, strengthen security and maintain a supported environment that will be able provide a robust and reliable service for our Staff and their Customers. Alongside this Establishing the future ICT service arrangements from 2021 to improve operational performance and exploit strategic opportunities will be a key action undertaken in the coming year.

Along the implementation of a new CRM system as referred to as a key People Focused project, following the conclusion of procurement process a **new Finance System** will be

implemented during 2020/21 with an anticipated Go Live date of 1<sup>st</sup> April 2021. Again this will be a Cloud based system and therefore be funded from revenue but at £250k is a significant investment for the Council.

### **Investment in commercial Activities**

With the financial challenges facing local government we also have a priority to become more commercial in order to secure our financial future. There is much work to be done in setting out our priorities in this area but it is certain that there will be a need to invest both capital and revenue in order to increase our income streams in order to bring the necessary investment that can be made in improving service provision and protecting the services customers value. The capital requirements for this investment are still at an early stage and will develop over the next 12 months. With the limited resources at the Council's disposal it is likely that any such capital investment would require a level of borrowing however each business case will be assessed on its merits as each project will be required to make a return not only to service the debt but also yield additional income for investment in service delivery.

## 6. 5-year capital investment plan

**6.1** Our 5-year capital investment plan incorporates the 2019-2023 Capital Programme and a forecast of capital investment requirement up to 2024-2025, based on our capital investment ambition. It has been prioritised in line with our corporate plan and Treasury Management to ensure that the 5-year position is affordable and deliverable as planned. Our risk assessment examines the risk against the affordability and deliverability assumptions and this will inform the ongoing review of performance and update of the investment plan to ensure that it is effectively managed.

The following tables provide an overview of the 5-year investment plan from an investment and financing perspective, an affordability perspective and in terms of the contribution to the achievement of our Corporate Priorities, our community improvements and our growth targets. More detailed capital plans are included in Appendix A:

### GENERAL FUND

<b>5 YEAR INVESTMENT PROGRAMME</b>	<b><u>2020/21</u> £'000</b>	<b><u>2021/22</u> £'000</b>	<b><u>2022/23</u> £'000</b>	<b><u>2023/24</u> £'000</b>	<b><u>2024/25</u> £'000</b>	<b><u>Total</u></b>
GREAT COUNCIL	17	93	13	52	-	<b>175</b>
PEOPLE	237	237	237	237	237	<b>1,185</b>
PLACE	175	0	0	-	-	<b>295</b>
<b>Total Programme</b>	<b>429</b>	<b>330</b>	<b>250</b>	<b>289</b>	<b>237</b>	<b>1,655</b>

<b>5 YEAR FUNDING PROGRAMME</b>	<b><u>2019/20</u> £'000</b>	<b><u>2020/21</u> £'000</b>	<b><u>2021/22</u> £'000</b>	<b><u>2022/23</u> £'000</b>	<b><u>2023/24</u> £'000</b>	<b><u>Total</u></b>
ICT PARKSIDE REFRESH	17	34	12	52	-	<b>116</b>
VEHCILE R&R FUND	50	-	-	-	-	<b>50</b>
GRANT FUNDING	237	237	237	237	237	<b>1,185</b>
CAPITAL RECEIPTS	125	59	0	-	-	<b>304</b>
<b>Total Programme</b>	<b>429</b>	<b>330</b>	<b>250</b>	<b>289</b>	<b>237</b>	<b>1,654</b>

As can be seen from the tables above at the current time it doesn't appear that the Council has an overly ambitious capital programme but as outlined in the previous sections of the strategy there are some significant outstanding items which will significantly impact on the forward capital projections – including:

- Updated stock condition surveys which are still outstanding will need to be feed into the refreshed Asset Management Plan which will identify the extent of capital provision required for existing council assets
- Production of an investment strategy which will include the results of masterplanning work and inform future intentions for projects such as the cattle market and the Leisure Vision
- Funding requirements to support commercial activities and aspirations of the Council

As these areas become further developed and financial analysis becomes available the capital strategy will be refined as an up to date living document.

### HOUSING REVENUE ACCOUNT

Alongside the General Fund the council also maintains its own housing stock. A summarised programme is contained with the Appendix B based on interim review of the HRA business plan and without a full stock condition survey to create a full formed Housing Asset Management Plan which only goes to 2022/23. The final 2 years of the 5 year forward view are based on a desktop review and therefore a more detailed stock condition survey and full Housing Asset Management Plan is needed to be undertaken and forms key actions for the coming year. The table below provides a high level overview with associated funding streams based on the interim position.

<b>5 YEAR INVESTMENT PROGRAMME</b>	<b><u>2019/20</u> £'000</b>	<b><u>2020/21</u> £'000</b>	<b><u>2021/22</u> £'000</b>	<b><u>2022/23</u> £'000</b>	<b><u>2023/24</u> £'000</b>	<b><u>Total</u></b>
HRA Funded by						
Major Repairs Reserve	2,156	2,011	1,981	1,759	1,759	<b>9,666</b>
HRA Capital Receipts	2,646	2,015	1,533	738	738	<b>7,670</b>
Development and Regeneration Reserve	-	-	474	462	462	<b>1,398</b>
<b>Total Programme</b>	<b>4,802</b>	<b>4,026</b>	<b>3,988</b>	<b>2,959</b>	<b>2,959</b>	<b>18,734</b>

The Council's Housing Asset Management Plan is currently being reviewed and will be informed by a detailed and full stock condition survey to be undertaken over the next two years. Therefore in the meantime, an interim business plan and capital programme is proposed to address the issues and challenges faced by the Council today.

**6.2** The following sections examine the evaluation and prioritisation of our 5-year capital investment plan, the additional analysis that informs our Capital Strategy principles, our capacity to deliver and the potential options for addressing our capital investment ambition gap.

### GENERAL FUND

Within the General Fund there are various funding sources including Replacement and Renewal funds which have been established to make annual revenue contributions into a reserve to fund future capital expenditure on areas such as vehicle, ICT, playgrounds as well as external grant funding for DFG's but the main source of funding comes from Capital Receipts.

The table below summaries the current and future forecasts for the Capital Receipts reserve;

Financial Year	Expenditure	Balance on Reserve
2018-19	-	£753k
2019-20	£23k	£730k
2020-21	£125k	£605k
2021-22	£59k	£546k
2022-23	-	£546k
2023-24	-	£546k
2024-25	-	£546k

At the end of 2024/25 the estimated balance on the reserve is £546k which does limit the amount of scope for future funding. This doesn't take into account any capital receipts that may be generated but the council only owns a limited amount of sites / assets some of which may be used to support any commercial activities around housing so this is unlikely to help improve the balances. Therefore, once the future capital programme becomes more developed the future funding requirements will need to be reviewed which may lead to a borrowing requirement on the general fund which is currently debt free. Therefore the prioritisation of capital schemes will be key with limited capital resources. As such utilising borrowing to fund such investments would mean these would need to be affordable in revenue terms through reductions in net expenditure.

Alongside this there is a provision of £785k earmarked to support delivery of any future leisure vision projects.

### Housing Revenue Account

In the main the HRA programme is funded from the three main reserves which are utilised in a priority order:

1. Major Repairs Reserve
2. HRA Capital Receipts
3. Regeneration and Development Reserve (this is built up from contributions from the revenue account in line with the interim HRA Business Plan).

**6.3** The capital programme is integrally linked to the Treasury Management Strategy in terms of informing future cashflow, interest returns, borrowing requirement and medium term financial sustainability. The 2020/21 Treasury Management Strategy has been prepared based on the information contained within this Capital Strategy to ensure the two documents are aligned and any associated implications taken into account when setting the prudential indicators. Both strategies will be presented to Full Council for approval at the annual budget setting meeting in February 2020 where further information can be found.

## 7. Risk Assessment

7.1 The following table summarise the detailed Risk Assessment that has been undertaken in line with our Risk Management Framework. The table includes the key risks, the mitigating factors and the residual risk score to highlight the main considerations for our Capital Strategy:

L I K E L I H O O D	A	Very High				
	B	High			2,3	
	C	Significant				
	D	Low		1	6,7,8,9,10	12
	E	Very Low		4		
	F	Almost Impossible				
			Negligible	Marginal	Critical	Catastrophic
			1	2	3	4

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**IMPACT**

ID #	Description of Risk or Uncertainty	Mitigating factors	Residual Risk Score
<b>Reputational</b>			
1.	Adverse publicity associated with the implementation of the Commercial Property Investment Strategy	<ul style="list-style-type: none"> <li>• Meaningful consultation with all key stakeholders</li> <li>• Appropriate communication of intent</li> <li>• Collaboration and communication with peer local authorities</li> <li>• Development of a robust business case</li> <li>• Strong due diligence for each commercial property investment</li> </ul>	6
<b>People/human</b>			
2	Delay in recruiting to key management posts	<ul style="list-style-type: none"> <li>• Effective recruitment process being conducted</li> <li>• Good business continuity being applied during the management gap</li> </ul>	15
3	Competing priorities resulting in reduced capacity to deliver Capital Programme	<ul style="list-style-type: none"> <li>• Major programmes driven by Senior Management Team</li> <li>• Clear and deliverable Capital Strategy</li> <li>• Effective and co-ordinated asset management</li> <li>• Strong prioritisation at planning stage</li> <li>• Robust governance and programme management in place</li> <li>• Performance and exception reporting linked to our main reporting cycle</li> </ul>	15
<b>Social/community</b>			
4	Inadequate consultation leading to a lack of understanding of the purpose and expected outcomes of 10-year capital investment plan	<ul style="list-style-type: none"> <li>• Consultation in line with statutory requirements</li> <li>• Effective consultation process with key stakeholders in line with corporate approach</li> <li>• Clear actions linked to consultation feedback</li> <li>• Monitoring and reporting on progress against agreed actions</li> </ul>	4
<b>Financial/Economic</b>			



ID #	Description of Risk or Uncertainty	Mitigating factors	Residual Risk Score
5	Economic volatility leading to failure in commercial properties and / or lower than forecast returns from commercial property investment, leading to significant adverse impact on reserves – recession, Brexit, political upheaval etc.	<ul style="list-style-type: none"> <li>• Commercial Property Investment Strategy (CPIS) in place</li> <li>• Risk assessed property portfolio based on CPIS</li> <li>• Strong governance and process set up ahead of investment</li> <li>• Robust business case methodology in place</li> <li>• Due diligence applied to all commercial property investments</li> <li>• Performance and exception reporting linked to our main reporting cycle</li> </ul>	Dependent on risk appetite
6	Poor capital scheme forecasting leading to capital scheme overspends and higher revenue impact	<ul style="list-style-type: none"> <li>• Collaboration across all relevant support services with intelligence and data sharing</li> <li>• Application of scenario and sensitivity approach to test forecasts and assumptions</li> <li>• Performance and exception reporting linked to main reporting cycle</li> </ul>	9
7	Poor capital programme management leading to slippage	<ul style="list-style-type: none"> <li>• Strong management structure in place</li> <li>• Robust governance and programme management in place</li> <li>• Performance and exception reporting linked to main reporting cycle</li> </ul>	9
8	Lack of recognition of asset capital commitments	<ul style="list-style-type: none"> <li>• Discussion of risk and starting to identify required actions</li> <li>• Stock condition surveys commissioned and ready for review and challenge</li> <li>• Initial forecast made in 10-year capital investment plan</li> </ul>	9
•			
<b>Legal</b>			
9	Lack of clarity in the application of Powers when dealing with commercial property investments	<ul style="list-style-type: none"> <li>• Development of robust business cases for each commercial property investment</li> <li>• Strong due diligence for each commercial property investment</li> <li>• Legal opinions sought where appropriate</li> </ul>	9
<b>Environmental</b>			
10	Failure to adequately recognise environmental impact of major capital	<ul style="list-style-type: none"> <li>• All appropriate surveys and environmental studies undertaken</li> </ul>	9

ID #	Description of Risk or Uncertainty	Mitigating factors	Residual Risk Score
	schemes	to suit each individual scheme <ul style="list-style-type: none"> <li>• Strong consultation with key stakeholders</li> <li>• Joint working and collaboration with partner authorities and agencies</li> </ul>	
<b>Partnership/collaboration</b>			
<b>11</b>	Not achieving the optimum funding leverage from regional opportunities where identified initiatives match one or more of our Corporate Priorities – Midlands Engine and LLEP	<ul style="list-style-type: none"> <li>• Action plan for external influences</li> <li>• Action plan for national /regional lobbying and collaboration</li> <li>• Building on the success of the Cattle Market bid to the Local Growth Fund</li> </ul>	6
<b>12</b>	Melton Mowbray Distributor Road (MMDR) requires additional funding due to shortfall in funding contributions	<ul style="list-style-type: none"> <li>• Council Tax and business rate growth linked to MMDR is used to provide funding.</li> <li>• Robust development and market analysis undertaken</li> <li>• Risk assessed tax forecasts produced and ring-fenced from main Council Tax and Business Rates income forecasts</li> <li>• Detailed ongoing analysis and exception reporting in place</li> </ul>	12

## 8. Capital Project Appraisal process and governance

### 8.1 Developing proposals

Individual proposals are developed by each Director which includes development bids for their services in line with priorities. This may be informed by the reviews being carried out within the service, by the corporate improvement team or the outcome from specific public consultation(s).

Business cases are brought to SLT who if they approve a project, will then undertake an exercise to prioritise all the projects submitted for the annual budget process. These capital projects will then be forwarded to Cabinet for approval by Members.

Each project will be assigned to a Programme Board whose role is to implement and monitor the project. Highlight reports are provided to the relevant board and summary reports provided to SLT Members.

Variations within a project which require a supplementary estimate or a virements exceeding £20K are taken back to cabinet for approval (with the exception of the HRA which has a different delegation).

The Council's project management toolkit sets out the requirements at each stage of the project management process

### 8.2 Senior Leadership Team

The Senior Leadership Team have responsibility for determining the relative priority of capital schemes submitted for funding as part of the budget setting process for member's consideration and final approval for funding by Full Council at the budget setting meeting. SLT provides a forum to ensure that capital expenditure on projects is allocated and prioritised through a structured corporate business planning process which aligns with our Corporate Priorities. Whilst projects are approved at Full Council each February, schemes can be considered in year by Cabinet. SLT are also supported in the review by providing guidance during the budget process via the relevant internal review boards which have been developed as part of the Councils new ways of working. There have been three internal boards set up with are aligned to directorates and priorities that oversee the delivery of key projects.

These boards will help SLT in the establishment and monitoring of key projects whereby first stage business cases will be reviewed for SLT sign off and then overseeing project progress by reviewing highlight reports form the boards.

A summary of the main tasks allocated to the SLT are as follows:

- To implement our prioritisation process for Capital Expenditure;
- To monitor the delivery of our approved Capital Programme;
- To develop and evaluate proposals for service delivery assets.

All specific projects are also taken through the necessary committee process in accordance with our project appraisal process.

## 8.3 Consultation and stakeholder engagement

The Governance review identified that greater stakeholder engagement is required by the Council. As part of this process, in addition to engagement with members a Residents Survey was held in June 2019 and attracted over 1,700 responses. The survey will collect the views of the community on a range of issues around Melton as a place to live and views of the Council as a whole and individual services. The results of the Residents Survey have been used to inform the Corporate Strategy (2020-2024) and will in turn be used to inform the Capital Strategy. The draft corporate strategy 2020 to 2024 presented to council for approval at its meeting on 26<sup>th</sup> February 2020 has been subject to public consultation and the results considered by Cabinet when recommending the draft for approval.

## 9. Skills and Knowledge

### 9.1 In house Resources

The successful implementation of the Capital Strategy necessitates the availability of people with the necessary experience of:

- developing capital projects
- acquiring and selling properties
- commissioning partners to deliver the capital programme
- managing properties as a landlord
- sourcing suitable opportunities that match the criteria set under the adopted strategy

The Council currently has in place two key streams of work:

**Growth and Regeneration Directorate** (supporting Place priorities) which manages the current operational and non-operational asset portfolio but will also lead on any commercial investment work supported by the finance team. Key officers included in this team are:

- Director for Growth and Regeneration
- Corporate Asset Manager
- Regeneration Manager
- Building Surveyor

**Director for Housing and Communities** (supporting People priorities) this team will cover management of our Housing Stock and has had investment in officers to manage these key assets:

- Housing and Communities Director
- Housing Asset Manager
- Housing Development Manager
- Housing Surveyors

## **9.2 Externally Available Resources**

The Council also makes use of external advice in developing projects or undertaking due diligence including external valuers, property condition experts, market appraisers etc. Other advice will be commissioned as and when required. This may also include working with its Treasury Advisors as appropriate to support any associated Treasury implications.

## **9.3 Members**

Members are familiar with the budget process and approve the Treasury Management Strategy and Budget. Any additional training requirements will be discussed with the Cabinet including the Portfolio Holder leads for key priority projects.

**Signed: Dawn Garton – S151 Officer**